

QUARTERLY REPORT

LICENSEE HARRAH'S CASINO HOTEL , ATLANTIC CITY

ADDRESS 777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

FOR THE QUARTER ENDED DECEMBER 31, 2002

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

NAME OF OFFICER IN
CHARGE OF
CORRESPONDENCE
REGARDING THIS
QUARTERLY REPORT

ANTHONY P. RODIO

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE AND CASINO MARKETING

ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

BALANCE SHEETS

AS OF DECEMBER 31, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents (Note 2).....	\$ 38,972	\$ 32,518
2	Short-Term Investments.....	0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2002, \$1,070; 2001, \$1,780).....	6,073	17,915
4	Inventories (Note 2).....	1,320	960
5	Prepaid Expenses and Other Current Assets (Note 5).....	4,638	4,179
6	Total Current Assets.....	51,003	55,572
7	Investments, Advances, and Receivables (Note 6).....	440,489	388,370
8	Property and Equipment - Gross (Notes 2 and 3).....	762,817	661,912
9	Less: Accumulated Depreciation and Amortization (Notes 2 and 3).....	(277,680)	(250,877)
10	Property and Equipment - Net (Note 2 and 3).....	485,137	411,035
11	Other Assets (Note 7).....	12,116	14,466
12	Total Assets.....	\$ 988,745	\$ 869,443
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	\$ 1,911	\$ 2,064
14	Notes Payable.....	0	0
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	0	0
16	Other.....	0	0
17	Income Taxes Payable and Accrued (Note 2).....	0	865
18	Other Accrued Expenses (Note 9).....	85,518	39,828
19	Other Current Liabilities.....	369	523
20	Total Current Liabilities.....	87,798	43,280
	Long-Term Debt:		
21	Due to Affiliates.....	650,000	650,000 *
22	Other (Note 4).....	0	0 *
23	Deferred Credits (Note 2).....	882	906
24	Other Liabilities (Note 10).....	42,144	43,756
25	Commitments and Contingencies (Note 2)		
26	Total Liabilities.....	780,824	737,942
27	Stockholders', Partners', or Proprietor's Equity.....	207,921	131,501
28	Total Liabilities and Equity.....	\$ 988,745	\$ 869,443

*Certain 2001 amounts have been reclassified to conform with 2002 presentation.

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2002	(d) 2001
	Revenue:		
1	Casino	\$ 444,535	\$ 403,882
2	Rooms	37,419	28,841
3	Food and Beverage	53,211	46,584
4	Other	6,759	9,285
5	Total revenue	541,924	488,592
6	Less: Promotional Allowance (Note 2)	107,754	94,718
7	Net revenue	434,170	393,874
	Costs and Expenses:		
8	Cost of goods and services	211,137	197,392
9	Selling, general, and administrative	38,643	37,343
10	Provision for doubtful accounts	225	54
11	Total costs and expenses	250,005	234,789
12	Gross Operating Profit	184,165	159,085
13	Depreciation and amortization	27,079	24,024
	Charges from affiliates other than interest:		
14	Management Fees	0	0
15	Other Note 11	12,030	45,136
16	Income (Loss) from Operations	145,056	89,925
	Other Income (Expenses):		
17	Interest (expense) - affiliates	(51,998)	(34,879)
18	Interest (expense) - external	0	0
19	Investment alternative tax and related income (expense) - net	(3,631)	(2,269)
20	Nonoperating Income (expense) - net (Note 12)	556	14,879
21	Total other income (expenses)	(55,073)	(22,269)
22	Income (Loss) Before Income Taxes and Extraord. Items	89,983	67,656
23	Provision (credit) for income taxes (Note 2)	13,424	5,525
24	Income (Loss) Before Extraordinary Items	76,559	62,131
25	Extraordinary items (net of income taxes - 2002, \$0; 2001, \$0)	0	0
26	Net Income (Loss)	\$ 76,559	\$ 62,131

*Certain 2001 amounts have been reclassified to conform with 2002 presentation.

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STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	2,002	2,001
	Revenue:		
1	Casino	\$ 108,503	\$ 95,498
2	Rooms	9,745	6,684
3	Food and Beverage	13,313	10,700
4	Other	1,671	1,786
5	Total revenue	133,232	114,668
6	Less: Promotional Allowance (Note 2)	27,943	21,968
7	Net revenue	105,289	92,700
	Costs and Expenses:		
8	Cost of goods and services	53,508	46,903
9	Selling, general, and administrative	10,521	9,766
10	Provision for doubtful accounts	20	54
11	Total costs and expenses	64,049	56,723
12	Gross Operating Profit	41,240	35,977
13	Depreciation and amortization	7,299	5,797
	Charges from affiliates other than interest:		
14	Management Fees	0	0
15	Other (Note 11)	2,933	11,154
16	Income (Loss) from Operations	31,008	19,026
	Other Income (Expenses):		
17	Interest (expense) - affiliates -	(13,000)	(10,854)
18	Interest (expense) - external	0	0
19	Investment alternative tax and related income (expense) - net	(829)	(854)
20	Nonoperating Income (expense) - net (Note 12)	86	14,845
21	Total other income (expenses)	(13,743)	3,137
22	Income (Loss) Before Income Taxes and Extraord. Items	17,265	22,163
23	Provision (credit) for income taxes (Note 2)	9,151	2,972
24	Income (Loss) Before Extraordinary Items	8,114	19,191
25	Extraordinary items (net of income taxes - 2002, \$0; 2001, \$0)	0	0
26	Net Income (Loss)	\$ 8,114	\$ 19,191

*Certain amounts have been reclassified to conform with 2002 presentation.

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Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2001

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2000	\$165,954	(\$96,584)	\$0	\$69,370
2	Net Income - 2001		62,131		\$62,131
3	Capital Contributions.....				
4	Capital Withdrawals.....		0		\$0
5	Partnership Distributions.....				
6	Prior Period Adjustments.....				
7				
8				
9				
10	Balance, December 31, 2001	165,954	(34,453)	0	131,501
11	Net Income - 2002		76,559		\$76,559
12	Capital Contributions.....				
13	Capital Withdrawals.....		0		\$0
14	Partnership Distributions.....				
15	Prior Period Adjustments.....		(139)	0	(\$139)
16				
17				
18				
19	Balance, December 31, 2002	\$165,954	\$41,967	\$0	\$207,921

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

ADING NAME OF LICENSEE HARRAH'S CASINO HOTEL, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2002	(d) 2001
1	Net Cash Provided (Used) by Operating Activities	\$ 113,113	\$ (40,261)
	Cash Flows from Investing Activities:		
2	Purchase of short-term investment securities	0	0
3	Proceeds from the sale of short-term investment securities	0	0
4	Cash outflows for property and equipment	(101,275)	(103,214)
5	Proceeds from disposition of property and equipment	97	92
6	Purchase of casino reinvestment obligations	(5,481)	(5,122)
7	Purchase of other investments and loan advances made	0	0
8	Proceeds from disposal of investments and collection of advances and long-term receivables	0	0
9	Cash outflows to acquire business entities	0	0
10	Write Off Abandoned Projects	0	4
11		0	0
12	Net Cash Provided (Used) by Investing Activities ..	(106,659)	(108,240)
	Cash Flows from Financing Activities:		
13	Cash proceeds from issuance of short-term debt	0	0
14	Payments to settle short-term debt	0	0
15	Cash proceeds from issuance of long-term debt	0	160,000
16	Costs of issuing debt	0	0
17	Payments to settle long-term debt	0	(10,000)
18	Cash proceeds from issuing stock or capital contributions	0	0
19	Purchases of treasury stock	0	0
20	Payments of dividends or capital withdrawals	0	0
21	Transfer to Affiliates	0	0
22			
23	Net Cash Provided (Used) by Financing Activities	0	150,000
24	Net Increase (Decrease) in Cash and Cash Equivalents	6,454	1,499
25	Cash and Cash Equivalents at Beginning of Period	32,518	31,019
26	Cash and Cash Equivalents at End of Period	\$ 38,972	\$ 32,518
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
	Cash Paid During Period for:		
27	Interest (net of amount capitalized)	\$ 262	\$ 27,756
28	Income Taxes	\$ 10,415	\$ 4,320

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

ADING NAME OF LICENSEE

HARRAH'S CASINO HOTEL, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2002	(d) 2001
	Net Cash Flows From Operating Activities:		
29	Net Income (loss)	\$ 76,559	\$ 62,131
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property & equipment	27,079	24,024
31	Amortization of other assets	15	344
32	Amortization of debt discount or premium	0	0
33	Deferred income taxes - current	0	0
34	Deferred income taxes - noncurrent	(24)	(62)
35	(Gain) loss on disposition of property & equipment	(3)	(65)
36	(Gain) loss on casino reinvestment obligation	0	0
37	(Gain) loss from other investment activities	0	0
38	Net (increase) decrease in receivables and patrons checks	11,842	(12,157)
39	Net (increase) decrease in inventories	(360)	134
40	Net (increase) decrease in other current assets	(459)	(431)
41	Net (increase) decrease in other assets	2,335	2,571
42	Net increase (decrease) in accounts payables	(153)	24
43	Net increase (decrease) in other current liabilities excluding debt	44,671	18,038
44	Net increase (decrease) in other noncurrent liabilities excluding debt	(1,612)	(1,728)
45	Net increase in other receivables or advances	(46,777)	(133,084)
46			
47	Net Cash Provided (Used) by Operating Activities	\$ 113,113	\$ (40,261)
	SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
	Aquisition of Property and Equipment:		
48	Additions to property and equipment	\$ 101,275	\$ 103,214
49	Less: capital lease obligations incurred	0	0
50	Cash Outflows for Property and Equipment	\$ 101,275	\$ 103,214
	Acquisition of Business Entities:		
51	Property and equipment acquired	\$	\$
52	Goodwill Acquired		
53	Net assets acquired other than cash, goodwill, and property and equipment		
54	Long-term debt assumed		
55	Issuance of stock or capital invested		
56	Cash Outflows To Acquire Business Entities	\$	\$
	Stock Issued or Capital Contributions:		
57	Total issuance of stock or capital contributions	\$	\$
58	Less: issuances to settle long-term debt, and		
59	Consideration in acquisition of business entities		
60	Cash Proceeds from Issuing Stock or Capital Contributions	\$	\$

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Marina Associates (the "Partnership") operates as a general partnership which owns and operates a casino hotel located in the Marina District of Atlantic City, New Jersey known as Harrah's Casino Hotel Atlantic City. Harrah's Operating Company, Inc. ("HOC"), a direct wholly-owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's") through its subsidiaries, is the sole owner of the Partnership. A substantial portion of the Partnership's revenues are derived from gaming operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents - Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

Inventories - Inventories of provisions and supplies are valued at the lower of cost, weighted average, or market.

Property and Equipment - Property and equipment are stated at cost, including capitalized interest. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life of the assets, as follows:

Buildings, leaseholds and improvements	40 years
Furniture, fixtures and equipment	3 - 10 years

Long-Lived Assets - During 1996, the Partnership adopted the provisions of Statement of Financial Standard No. 121, "Accounting for the Impairment of Long-Lived Assets" ("SFAS 121"). SFAS 121 requires, among other things, that an entity review its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. During 2002, no business conditions or events occurred which may indicate a possible impairment. The assessment for potential impairment is based primarily on the Company's ability to recover the unamortized balance of its long-lived assets from expected future cash flows from its operations on an undiscounted basis.

Investments in Subsidiaries - During 1999, the Company, through its wholly owned subsidiary Reno Crossroads LLC ("Reno"), acquired a parcel of land in Reno, Nevada for approximately \$10,325. The existing facilities located on the parcel site were demolished and a new plaza was constructed on the site at a cost of approximately \$2,365. On February 1, 2000, Reno entered into an agreement to lease this parcel of land to HOC for a period of twenty years at a fixed rent of \$1,120 per year.

Revenue Recognition - Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. Food, beverage, rooms and other revenues include the aggregate amounts generated by those departments.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Promotional Allowances - Gross revenues include the retail value of complimentary food, beverage, theater and hotel services and the amount of volume-based cash rebates paid to casino patrons. The value of these promotional allowances is deducted to arrive at net revenues.

Income Taxes - The accompanying financial statements do not include a provision for federal income tax purposes by the individual partners. In accordance with regulations prescribed by the New Jersey Casino Control Act, the Partnership files a state income tax return on behalf of the partners. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of tax assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date.

Disclosures - In accordance with the Quarterly Report Instructions, the Partnership has not submitted updated information for the summary of future lease obligations and contribution of savings and retirement plan in which employees of the Partnership may participate. There has been no significant changes to the information submitted in our December 31, 2001 Annual Report.

Use of Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles requires the Partnership to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Casino Licensing - In April 2000, the New Jersey Casino Control Commission renewed the Partnership's casino license through April 2004. A New Jersey casino license is not transferable and must be renewed by filing an application.

Recent Accounting Pronouncements - In January 2001, the Emerging Issues Task Force reached a consensus on certain issues within Issue No. 00-22, "Accounting for 'Points' and Certain Other Time-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future" ("EITF 00-22"). EITF 00-22 requires volume-based cash rebates to be classified as a reduction of revenue. Accordingly, such rebates have been classified as promotional allowances. The Partnership previously classified these expenditures as gaming expense.

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard is effective for fiscal years beginning after June 15, 2002. The Partnership does not expect the adoption of SFAS No. 143 to have a material impact on the Partnership's financial results.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This standard addresses financial accounting and reporting for the impairment or disposal of long-lived

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

assets. The standard is effective for fiscal years beginning after December 15, 2001. During 2002, the Partnership did not have any asset impairments or disposals of long-lived assets.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and Equipment as of December 31 consisted of the following:

	<u>2002</u>	<u>2001</u>
Land and Land Improvements	\$ 72,245	\$ 71,188
Buildings, Leaseholds and Improvements	503,426	347,355
Furniture, Fixtures and Equipment	172,571	150,863
Construction in Progress	<u>14,575</u>	<u>92,506</u>
	762,817	661,912
Less Accumulated Depreciation	<u>(277,680)</u>	<u>(250,877)</u>
Property and Equipment, Net	<u>\$485,137</u>	<u>\$411,035</u>

NOTE 4 - LONG-TERM DEBT

Long-term debt as of December 31 consisted of the following:

	<u>2002</u>	<u>2001</u>
Promissory Note	<u>\$650,000</u>	<u>\$650,000</u>

On October 31, 2001, the Partnership and HOC consummated a promissory note for \$650,000. All principal and interest outstanding on the promissory note is due and payable on demand to HOC. Interest is computed on an annual basis using 360 days for the actual number of days elapsed during a year, and an annual rate of 8%. Any amount of principal not paid by the Partnership to HOC when due will bear an additional 2% annual interest rate.

NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of December 31 consisted of the following:

	<u>2002</u>	<u>2001</u>
Prepaid Taxes	\$ 984	\$ 860
Prepaid Insurance	278	321
Prepaid Air Charters	1,969	1,455
Prepaid Marketing	912	536
Prepaid Other	<u>495</u>	<u>1,007</u>
	<u>\$ 4,638</u>	<u>\$ 4,179</u>

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, Advances and Receivables as of December 31, consisted of the following:

	<u>2002</u>	<u>2001</u>
Notes Receivable	\$ 550	\$ 962
Casino Reinvestment Development Authority Bonds - Net of Valuation Allowance of \$3,040 and \$2,848 at December 31, 2002 and 2001, respectively	2,288	1,854
Casino Reinvestment Development Authority obligation deposits - Net of Valuation Allowance of \$1,216 and \$1,023 at December 31, 2002 and 2001, respectively	5,974	6,413
Due from Affiliates	<u>431,677</u>	<u>379,141</u>
	<u>\$440,489</u>	<u>\$388,370</u>

Due from Affiliates as of December 31 consisted of the following unsecured, non-interest bearing intercompany amounts:

	<u>2002</u>	<u>2001</u>
Harrah's New Jersey, Inc.	\$ 18,962	\$ 18,962
I/C- Embassy Suites	394,814	346,059
Northeast Regional Office	6,550	4,960
Harrah's Lake Tahoe	132	134
Embassy Suites, Inc.	1,940	1,940
Harrah's Del Rio	184	185
Harrah's Reno	3,060	2,015
Harrah's Las Vegas	47	82
Bill's Casino	111	111
Harrah's Vicksburg	23	24
Harrah's Joliet	354	526
Harrah's New Orleans	1	1
Harrah's Shreveport	14	15
Harrah's St. Louis	74	74
Harrah's North Kansas City	42	42
Harrah's Cherokee	719	579
Harrah's Prairie Band	21	21
Harrah's Showboat	3,897	2,786
Showboat East Chicago	621	547
Harvey's	64	31
Harrah's Gold Card	<u>47</u>	<u>47</u>
	<u>\$431,677</u>	<u>\$379,141</u>

The Partnership transfers cash in excess of its operating needs to HOC on a daily basis. Cash transfers from HOC to the Partnership are also made based upon the needs of the Partnership to fund daily operations,

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

including accounts payable and payroll, as well as capital expenditures. The net transfers to HOC were \$57.5 million and \$37.7 million for the three months ended December 31, 2002 and 2001, respectively.

NOTE 7 - OTHER ASSETS

Other Assets as of December 31 consisted of the following:

	<u>2002</u>	<u>2001</u>
Deposits	\$ 57	\$ 70
Deferred Other	75	432
Deferred and Prepaid CRDA Obligations	<u>11,984</u>	<u>13,964</u>
	<u>\$12,116</u>	<u>\$14,466</u>

NOTE 8 - INVESTMENT OBLIGATIONS

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Partnership may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the New Jersey Casino Investment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

The Partnership includes CRDA investment bonds and funds on deposit with the CRDA in investments, advances and receivables. The Partnership records a charge to operations to reflect the estimated realizable value of its CRDA investment obligations.

Through 2002 the Partnership was required to make deposits with the CRDA of approximately \$81,096 towards its obligations through that date, of which \$79,718 was deposited. The Partnership's obligation for the fourth quarter of 2002 of approximately \$1,378 was deposited in January 2003.

The Partnership has committed \$11,986 of its current and future CRDA deposit obligations for the refurbishment of the Atlantic City Convention Center. This amount has been capitalized and is being amortized on a straight-line basis over a 15 year period since the Convention Center reopened for operations during September 2001. Investments, advances and receivables at December 31, 2002 reflect \$2,576 in deposits which have been earmarked for the project.

To satisfy current Atlantic City obligations as well as those projected beyond the year 2002, the Partnership received approval from the CRDA for a qualified direct investment project to construct various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City at an estimated cost to the Partnership of approximately \$54,500. As of December 31, 2002, approximately \$54,410 has been expended by the Partnership of which approximately \$4,123 was reimbursed to the Partnership from certain government grants and \$18,742 represented a prepayment position of the Partnership's future obligations.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

In December 1999, the CRDA approved a credit exchange agreement between Harrah's Atlantic City and Atlantic City Showboat. The credit exchange agreement resulted in Harrah's Atlantic City exchanging \$4,628 of its future South Jersey CRDA obligations for \$4,628 of Atlantic City Showboat's current Atlantic City CRDA obligations. Harrah's Atlantic City received this amount in January 2000 as a reimbursement of its prepaid Atlantic City obligation, previously mentioned.

NOTE 9 - OTHER ACCRUED EXPENSES

Other Accrued Expenses as of December 31 consisted of the following:

	<u>2002</u>	<u>2001</u>
Accrued Salaries, Wages and Benefits	\$11,105	\$ 9,394
Taxes Payable	1,331	1,061
Accrued In-House Progressive Slot Liability	96	143
Accrued City Wide Progressive Slot Liability	847	771
Accrued Interest, Long-term debt	60,811	9,073
Accrued Casino Control Commission / Department		
Gaming Enforcement Casino License Fees	582	532
Other Accrued Expenses	<u>10,746</u>	<u>18,854</u>
	<u>\$85,518</u>	<u>\$39,828</u>

NOTE 10 - OTHER LIABILITIES

Other Liabilities as of December 31 consisted of the following:

	<u>2002</u>	<u>2001</u>
Due to Affiliates, Long-term	\$39,773	\$39,772
Other	<u>2,371</u>	<u>3,984</u>
	<u>\$42,144</u>	<u>\$43,756</u>

Due to Affiliates at December 31 consisted of the following unsecured, non-interest bearing inter-company accounts:

	<u>2002</u>	<u>2001</u>
Harrah's Holdings, Inc.,	\$ 603	\$ 603
Harrah's Atlantic City, Inc.	38,855	38,855
Harrah's Ak Chin	20	21
Harrah's Tunica	2	-
Harrah's Holiday Inns of New Jersey, Inc.	<u>293</u>	<u>293</u>
	<u>\$39,773</u>	<u>\$39,772</u>

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 11 - CHARGES FROM AFFILIATES - OTHER

Use of Trademarks - The Partnership entered into a license agreement in August 1995 with Harrah's Las Vegas, Inc., (the "Licensor") for the use of certain licensed trademarks. The licensing agreement was renewed in 2001 for an additional five-year period. During 2002, the licensing agreement was amended, effective January 1, 2002, to reduce the royalty fee to zero. Prior to this amendment, the Partnership had been required to pay a fixed license fee of \$34,050 per year. For the twelve months ended December 31, 2002 and 2001, the Partnership's license fee was \$0 and \$34,050, respectively.

Administrative Services - The Partnership is charged a fee from HOC for administrative services (including legal, accounting and insurance). The Partnership was charged \$12,030 and \$11,086 for these services for the twelve months ended December 31, 2002 and 2001, respectively.

NOTE 12 -NONOPERATING INCOME (EXPENSE) - NET

In December 1998, the Partnership sold two parcels of land to the State of New Jersey. However, the valuation of the land sold to the State of New Jersey in 1998 was under dispute between the respective parties. The Partnership and the State of New Jersey settled the real estate condemnation dispute resulting in a Partnership gain of \$14,333, of which \$137 was realized in the twelve months ended December 31, 2002.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$139 was reported on the Statement of Changes in Partners' Equity to correct a prior year intercompany tax provision.

TRADING NAME OF LICENSEE HARRAH'S CASINO HOTEL, ATLANTIC CITY

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

REVISED 7/7/03

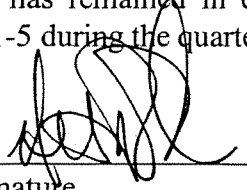
Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	348,404	\$ 30,346	-	\$ -
2	Food	2,174,500	21,745	-	-
3	Beverage	5,144,400	12,861	-	-
4	Travel	-	-	56,011	5,545
5	Bus Program Cash	-	-	-	-
6	Other Cash Complimentaries	3,322,320	41,529	-	-
7	Entertainment	-	-	-	-
8	Retail & Non-Cash Gifts	254,600	1,273	312,000	1,560
9	Parking	-	-	-	-
10	Other	-	-	-	-
11	Total	11,244,224	\$ 107,754	368,011	\$ 7,105

FOR THE THREE MONTHS ENDED DECEMBER 31, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	95,201	\$ 8,292	-	\$ -
2	Food	567,900	\$ 5,679	-	-
3	Beverage	1,363,200	\$ 3,408	-	-
4	Travel	-	-	6,455	\$ 639
5	Bus Program Cash	-	-	-	-
6	Other Cash Complimentaries	815,200	\$ 10,190	-	\$ -
7	Entertainment	-	-	-	-
8	Retail & Non-Cash Gifts	74,800	\$ 374	81,000	\$ 405
9	Parking	-	-	-	-
10	Other	-	-	-	-
11	Total	2,916,301	\$ 27,943	87,455	\$ 1,044

STATEMENTS OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this Quarterly Report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Vice President of Finance and Casino Marketing
Title

7022-11
License Number

On Behalf of:

Marina Associates
Casino Licensee

CCC-249